CIR Expanded Community Investment Proposal
March 7, 2013

Introduction

Community investment is the fastest growing area of socially responsible investment in the United States. Over the past three years, community investment has grown from $25.0 billion to $41.7 billion in assets.¹

Switching a portion of the General Operating Account into a bank or credit union that invests in the local community allows Wesleyan to capitalize on this momentum. Additionally, it would help Wesleyan build on its reputation and improve its relationship with the surrounding area. Other colleges and universities, including Williams College, Tufts University, Macalester College, and Mt. Holyoke College to name a few, engage in active community investment.² Greater community investment could be a significant source of positive publicity for Wesleyan, allowing the school to promote socially responsible and community-oriented practices. Investing money in financial institutions that support the Middletown community would also directly support the economic vibrancy and health of the area surrounding Wesleyan.

Community investment is one of the easiest ways that Wesleyan can help support the surrounding area. Unlike direct support for the community through the funding of the Office of Community Service or the Green Street Arts Center, community investment does not require any additional financial commitments. Moving money in the General Operating Account from Wesleyan’s existing accounts into banks that support the surrounding community is very low risk and does not require additional financial outlay.

All of the banks included below are insured through the Federal Deposit Insurance Corporation (FDIC). As a result, any investments would be protected in the same way that Wesleyan’s current investments are protected. This proposal will not include very much information about rates of return on investments and liquidity because the Finance Office indicated a desire for guidance on how to define community and community development impact. However, the CIR researched the rates of return and liquidity offered by all of the institutions included below. Only institutions that offered rates of return and liquidity similar to those that exist in current investments in the General Operating Account were included in this report.

When evaluating community investment options, there are two main factors that must be taken into consideration. First, it is necessary to determine the institution’s role in Wesleyan’s community. Second, an evaluation must assess how a given institution

¹ Socially Responsible Investing Facts: http://ussif.org/resources/sriguide/srifacts.cfm
² Conversation with Martin Bourqui, Responsible Endowments Coalition
supports communities that lack access to financial resources. These two factors, which are explained in depth below, are the primary criteria used by this proposal to evaluate community investment institutions.

**Defining Wesleyan’s Community**

The University defines its local community to be those areas within a 25-mile radius of the Wesleyan campus. The CIR takes this definition as its starting point to use as a metric of spatial evaluation, but recognizes that locality and proximity are only one aspect of Wesleyan’s community. When selecting a bank, Wesleyan should also consider the degree to which the University is a part of the community that the bank serves and the degree to which the bank effectively serves that community. Wesleyan should also consider factors, such as whether the investment option services institutions that provide services within Wesleyan’s community, or whether the institution services individual members of Wesleyan’s community.

**Defining Community Development Impact**

Community development impact is best determined by using several different metrics. In order to generate a list of institutions that might have a positive social impact on underserved communities, the National Community Investment Fund (NCIF) Social Performance Metrics Database was used. The database rates institution based on two main criteria:

**Development Lending Intensity-Home Mortgage Disclosure Act (DLI-HDMA)** is “the percentage of a bank’s single and multi-family housing loan originations and purchases that is located in Community Development Financial Institution (CDFI) Fund Investment Area census tracts.” These tracts are defined as an area with a poverty rate greater than 20%, an unemployment rate that is greater than 1.5 times the national average, or areas that have a median family income that is less than 80% of the relevant statistical area. NCIF proposes that banks with DLI-HDMA scores greater than 40% have “High DLI.” Banks with high DLI are likely to have a social mission by choice or virtue of their activities in low-income areas.

**Development Deposit Intensity** is the percentage of an institution’s branches that are located in CDFI Fund Investment Area census tracts. NCIF proposes that banks with threshold levels of at least 50% have “High DDI,” meaning that they are actively serving low-income communities.

Finally, other metrics were used to determine community development impact. The CIR evaluated institutions based on the bank’s answers to three questions:

1. Does the institution list an explicit social mission on its website?
2. Does the institution provide grants to local community groups and charities?

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3 Wesleyan Mortgage Program: [http://www.wesleyan.edu/finance/financeDept/mortgage/Mortgage.html](http://www.wesleyan.edu/finance/financeDept/mortgage/Mortgage.html)
3. Does the institution specifically aim to serve underprivileged communities? If so, how?

Bank Information

Local Bank Information

There are a limited number of local CDFIs. While there are many Connecticut-based financial institutions listed on the NCIF website, only a few have high scores for community investment. Since Urban Financial Group is a subsidiary of The Community's Bank, The Bank of Southern Connecticut is merging with Liberty Bank, and Connecticut Bank and Trust is owned by Berkshire Bank, we are left with two options: The Community’s Bank and Liberty Bank.

The Community’s Bank

The Community’s Bank (TCB) was very receptive to Wesleyan opening an account with their institution. The bank has one branch located in Bridgeport, approximately 40 miles from Wesleyan.

Accompanying normal banking business practices, TCB has an explicit social mission. It is the only bank in all of Connecticut that is minority owned, and it is certified by the U.S. Treasury Department as a Community Development Financial Institution. On the bank’s website it states its mission as this: “We have two fundamental goals for our bank. The first is to build wealth for individuals, businesses, and institutions in Connecticut's urban areas. The second is to build new and mutually profitable relationships throughout all of Connecticut.” The bank mostly serves the greater Bridgeport area, but is open to all through online banking, or as it brands it: the “virtual branch.” Since its inception in 2000, the bank has received a number of grants and investments to enhance its ability to serve the under-served.

TCB has the highest possible community investment scores. It is located in Quadrant 1, with DLI and DDI scores of 100%.

Liberty Bank

Liberty Bank has the most direct connection with the Wesleyan community. It has two banks in Middletown and several more in surrounding communities. Although Liberty Bank does not appear to have a core social mission, its website has a considerable focus on support for low-income areas. Liberty Bank constructed an affordable housing complex, Uncas Condominiums, in Norwich. The website describes Liberty Bank as “one of the most progressive banks in Connecticut.” In 2011 it won the Robert Haller Memorial Award for Outstanding Community Service, awarded annually by the Connecticut Commission on Children to an individual or organization that distinguishes itself through its support for the education and well being of children in the state.
its creation in 1997, the Liberty Bank Foundation has provided nearly $6 million in grants to nonprofit organizations in its service area. Liberty Bank is overwhelmingly the largest supporter of community organizations that Wesleyan students volunteer at. Finally, Liberty Bank has consistently provided grant money to help fund an annual scholarship for a Wesleyan student.

However, despite the variety of ways in which Liberty Bank supports the Middletown community, the NCIF gives Liberty Bank low community investment scores. It received a DLI score of 15.77% and a DDI score of 16%. Despite these low scores it would appear that Liberty Bank still makes considerable efforts to support the local community and would be a good investment option.

**National Bank Information**

**Carver Federal Savings Bank**
Located in New York City, Carver Federal Savings Bank serves both as a consumer and business bank and a non-profit bank. It utilizes the profits it makes in the corporate faction to support its work in the philanthropic faction of the bank. The Carver Federal Savings Bank invests 80% of its deposits in the community around it. These investments are made with a focus on revitalizing and jump-starting the local neighborhoods it serves. It has a relatively high NCIS rating of 76.5% DLI and 66.67% DDI.

**Urban Partnership Bank**
The Urban Partnership Bank works to fill the gap between big banks, which don’t give loans to risky local start-ups and small banks, which don’t have the means to provide adequate loans to these groups. This bank offers credit to non-profits and loans to small businesses, minority businesses, and businesses focused on social justice work. Although most of its work is done in its local Chicago community, it has made national investments in the past. NCIF ratings are not available for Urban Partnership Bank.

**Southern Bancorp**
Like Carver Federal Savings Bank, Southern Bancorp is both a community bank and non-profit organization. Its overarching mission is to help its local community in Arkansas. Southern Bancorp works under the model of allocating profits from its community bank division to make loans in the local community in its non-profit division. It has a relatively low NCIF DLI rating of 42.74% but a high DDI ranking of 72.91%.

**Boston Community Capital**
This bank was founded under the mission of creating healthy communities in areas where low-income people live and work. To do this Boston Community Capital invests in projects that provide jobs, opportunities, and housing in low-income communities. With these investments they hope to empower these underserved individuals and lift their neighborhoods to the mainstream economy. Boston Community Capital is able to make these contributions through donations and investments from foundations, religious
organizations, financial institutions, non-profits, and individuals. NCIF ratings are not available for Boston Community Capital.

City First Bank of DC
Through the deposits and investments of local institutional and individual donors, this bank provides capital for business development and growth in low-income areas in the Washington, D.C. area. Like Carver Federal Savings Bank and Southern Bankcorp, City First Bank of DC operates as both a community bank and non-profit. The City First Bank of DC non-profit side grants commercial loans for the creation of affordable housing, the construction and upkeep of community facilities, and the development of local small business. The community bank side provides services primarily for members of the community general underserved or forgotten by other bigger, more competitive banks. The City First Bank of DC has an impressively high NCIF ranking of 100% DLI and 100% DDI.